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Document No. 001

Approved For Release : CIA-RDP78-01617A000500130001-8

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CENTRAL INTELLIGENCE AGENCY

410532

DDA Memo, 4 Apr 77

12 May 1949

Auth: DDA REG. 77/1763

Date: 9/1/78 By: 023

INTELLIGENCE MEMORANDUM NO. 172

SUBJECT: Precarious Position of the Peron Government

1. Weaknesses of the Peron Government.

Recent developments in Argentina indicate a possibility that the Peron regime may be unable to take the necessary steps to avert its downfall. Legal displacement is highly improbable and a coup d'etat, under existing conditions would probably result in widespread violence and disorder.

The collapse of the present Government cannot be definitely predicted, nor is it possible to foresee the exact outcome of such an event, but unless Peron can find a reasonably quick solution for Argentine economic troubles (which appears highly unlikely), can curb the unconstructive political activity of his wife (which he appears altogether unwilling or unable to do), or can find a satisfactory accommodation within the army or between the Army and Labor, drastic developments in Argentina seem almost inescapable. Any probable outcome would be likely to jeopardize US--Argentine and Western Hemisphere relations.

2. Underlying Economic Factors.

The Argentine economy is at present suffering from serious ills that could only be relieved through improved foreign trade, but negotiations toward this end are currently impeded and show little prospect of success because of (a) inability to arrive at an agreement with the UK on the price to be paid for meat; (b) the Argentine Government's unwillingness to provide subsidies to the foreign-owned meat-packing industry until agreement with the UK is arrived at; (c) a stalemate in negotiations inaugurated by Foreign Minister Bramuglia backed by the Army to promote improved trade relations with the US; (d) unfounded confidence on the part of the President of the National Economic Council that Argentina will be furnished with an Eximbank loan. Meanwhile, severe inflation has already resulted in serious labor disorders and in some unemployment which arose in part from shortages of essential imports and in part from narrowing of profit margins. Wage increases imposed largely on the instance

Note: This memorandum has been informally discussed with research analysts of the Intelligence Organization of the Department of State. It has not, however, been submitted for formal concurrence or dissent to any of the IAC agencies.

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of Señora Peron, have been instituted at the expense of the meat packers whose above-mentioned need for subsidies was one result.

3. Underlying Political Factors.

The long-evident paradox in Peron's Labor-Army support has at last developed, as would have been expected under deteriorating economic conditions, into an impasse which will have to be resolved either through compromise or through force. Peron's Army support, always vital to his position, has weakened as he has made concessions to labor. The Army's concern over deterioration in the Argentine economy which it sees as resulting largely from favoritism toward labor, complicated by its hatred of Señora Peron and her considerable part in it, might already have produced a coup were not Army leaders hesitant to take steps that could easily plunge the country into bloodshed and give labor a permanent antipathy toward the Army. In strong opposition to Mrs. Peron and her powerful clique in the Government is the Army-supported group led by Foreign Minister Bramuglia. This group wishes to promote improved trade relations with the US and would like to find the means to sustain foreign-owned meat-packing companies whose operations have been curtailed by discriminatory treatment and ruinous wage policies. The Bramuglia faction also perceives the need for modifying an article in the new Constitution which provides for expropriation of foreign-owned properties and so discourages foreign investment in Argentina.

Conflict between such powerful groups, resultant paralysis of government action to check economic difficulties, and discontent with existing conditions have developed to a point where violent overthrow of the government or assassinations of one or more key figures cannot safely be discounted.

4. Influence of Señora Peron.

One key to the present Argentine problem lies in Peron's inability or unwillingness to curb the political activities of his wife, who has posed publicly as a friend of labor, encouraged passage of pro-labor legislation which the Army and business see as largely responsible for Argentina's serious inflation, and has taken direct action in political matters over the heads of those officially concerned. As a result, she has been able to entrench her clique at the policy-making level which effectively resists efforts spear-headed by Foreign Minister Bramuglia to restore the Argentine economy through realistic reform measures including increased international cooperation. Because the Army cannot, in the last analysis, permit the continuance of an influence exercised by the President's wife, which it considers ruinous, Peron must find means of controlling her activities or lose Army support without which his government cannot stand. So far, there is no evidence to show that he will take the necessary steps.

5. Moves Open to Peron.

Peron is attempting to protect himself against an Army coup by exploiting the division of loyalty among military leaders. While encouraging the development among elements loyal to him, particularly in the new air-force command, of a counterbalance against the disaffected officers, he is maneuvering to undermine the power of the latter. Were he to succeed, he might still maintain sufficient support within the Army to guard against violent measures on the Army's part. It is also true that the growth of violent discontent is less likely in view of an abundant food supply. Consequently, the President may succeed as he has in the past, through adroit maneuver and by virtue of the resiliency of the Argentine economy, in delaying a showdown. It must be realized, however, that Peron faces greater dangers and difficulties than he has in the past.

Another means open to him of remaining in office would be through demagogic appeals to anti-foreign sentiments, extensive nationalization of foreign-owned properties and institution of a dictatorial regime abhorrent to the principles of Hemisphere solidarity.

6. Implications for US Security.

The effect of an overthrow of the present Argentine Government would have grave implications for US security interests, particularly in Hemisphere solidarity, and for the security interests of other Latin American governments. If Peron attempts to rule through demagogic appeal to Labor while taking no effective measures to correct basic economic imbalances, the economy may deteriorate to a point where a change of government could take place only in conditions of chaos and violence. Even under present conditions violence would probably result from any attempted change and would offer the Communists an attractive chance for exploitation. Supposing that an orderly change could still take place, there is little chance that the successor government would be a stable one. If Peron attempts to any large extent to regain Army backing by disciplining Labor, disorders will result which the Army will have to put down. Through widespread violence might not ensue, suppression of Labor would certainly entail extremist methods including open violation of civil rights.

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